

Message Text

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INFO OCT-01 ISO-00 AID-05 XMB-02 CIAE-00 DODE-00 PM-05
H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02
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R 241159Z MAY 78
FM AMEMBASSY VALLETTA
TO SECSTATE WASHDC 8196

C O N F I D E N T I A L SECTION 01 OF 02 VALLETTA 01419

E.O. 11652: GDS
TAGS: PEPR, EAID, MT
SUBJECT: MINTOFF REQUEST FOR LOANS FOR MARSAXLOKK

REF: (A) STATE 126507, (B) VALLETTA 1363

1. SUMMARY: I SAW FOREIGN SECRETARY ABELA MAY 22 TO SAY THAT NO DEFINITIVE ANSWER ON MARSAXLOKK IS POSSIBLE UNTIL WE HAVE A LIST OF THE ITEMS DESIRED. I ALSO CAUTIONED ABELA STRONGLY, AS I HAD WITH FELICE IN REFTEL, ABOUT AVOIDING UNREALISTIC EXPECTATIONS. I SAID WE WERE NOT IN THE AID BUSINESS WITH MALTA AND THAT I HAD NO PRESENT REASON TO EXPECT CONCESSIONAL LENDING TO FACILITATE EXCESS PROPERTY PURCHASES FOR MARSAXLOKK. ABELA PROFESSED SURPRISE IN WHAT I HAD TO SAY, EMPHASIZING MINTOFF'S STRONG SATISFACTION OVER THE TONE AND CONTENT OF THE PRESIDENT'S LETTER AND HIS EXPECTATION OF A POSITIVE RESPONSE ON MARSAXLOKK. WE'VE GOT A PROBLEM. END SUMMARY.

2. I TOLD ABELA THAT I CAME TO SEE HIM WITH BOTH SATISFACTION AND CONCERN; SATISFACTION BECAUSE OF THE FACT THAT THE EXCHANGE OF LETTERS AT THE HIGHEST LEVEL HAD CLEARLY PUT A NEW AND MORE POSITIVE TONE INTO OUR BILATERAL RELATIONSHIP. THAT WAS GOOD. BUT I WAS CONCERNED OVER
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WHAT APPEARED TO BE UNREALISTIC EXPECTATIONS DEVELOPING ON THE PART OF THE GOM AS TO WHAT MIGHT FLOW FROM THIS EXCHANGE.

3. THE PRESIDENT'S LETTER MEANT WHAT IT SAID; IT WAS A POSITIVE EXPRESSION OF OUR DESIRE FOR A GOOD RELATIONSHIP. BUT IT DID NOT CHART ANY NEW POLICY. IT RE-EMPHASIZED

WHAT WE HAVE SAID AND DONE ALL ALONG, INCLUDING PARTICULARLY THE IMPORTANCE WE ATTACH TO AND ENCOURAGE IN A EUROPEAN CONNECTION FOR MALTA. WE WERE SYMPATHETIC TO MALTA'S EFFORTS TO INSURE ITS ECONOMIC WELL-BEING IN CONNECTION WITH THE MARCH, 1979, TRANSITION, BUT WE WERE NOT IN THE AID BUSINESS IN MALTA. AS THE PRESIDENT'S LETTER SAID, WE PLACE OUR EMPHASIS ON THE PRIVATE SECTOR'S ROLE AND BELIEVE IT IS MAKING AND CAN MAKE AN INCREASING CONTRIBUTION TO MALTA'S ECONOMY. WE WILL SEE WHAT WE CAN DO REGARDING FACILITATING ACQUISITION OF EXCESS PROPERTY FOR MARSAXLOKK WHEN WE SEE A LIST OF WHAT IS NEEDED BUT I EMPHASIZED I SAW NO BASIS FOR CONCESSIONAL LENDING FOR THIS PURPOSE. ABOVE ALL IT WAS IMPORTANT THAT THE POSITIVE AND I HOPED REALISTIC TONE GIVEN TO OUR RELATIONSHIP BY THE EXCHANGE OF LETTERS WOULD NOT NOW BE UNDERMINED BY UNDUE EXPECTATIONS WITH RESPECT TO MARSAXLOKK.

4. ABELA SAID HE WAS "GRIEVED" AND SURPRISED AT WHAT I SAID, ALTHOUGH HE HAD ALREADY SENSED FROM REPORTING BY THE MALTESE EMBASSY IN WASHINGTON THAT THERE WAS A DANGER THAT THE BUREAUCRATIC MACHINERY WOULD NEGATE THE PRESIDENT'S WORDS. (PRESUMABLY THIS REFERS TO AGIUS APPROACH OF MAY 18 REPORTED STATE 130217 AND WHICH WE DID NOT RECEIVE UNTIL YESTERDAY.) ABELA COULD NOT OVEREMPHASIZE THE PRIME MINISTER'S REAL SATISFACTION, NOW FELT THROUGHOUT THE CONFIDENTIAL

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GOM, AT THE PRESIDENT'S WORDS WHICH HE SAID WERE SEEN AS A COMMITMENT TO BE RESPONSIVE TO MALTA'S NEEDS. THE GOM HAD ALREADY SENSED, IN THEIR TALKS WITH THE EUROPEANS, THAT THE US PLEDGE TO ENCOURAGE THE EUROPEAN DIALOGUE WAS HAVING RESULTS. THEY EXPECTED THE SAME RESULTS REGARDING MARSAXLOKK. ABELA SAID HE WOULD TRY TO PRODUCE A LIST OF WHAT IS NEEDED FOR MARSAXLOKK IN FOUR OR FIVE DAYS BUT HE DID NOT SEE WHY SUCH A LIST WAS NEEDED TO PROCEED WITH WHAT HE HOPED WOULD BE A USG AGREEMENT TO PROVIDE A SPECIFIC LOAN FOR MARSAXLOKK. HE COULD NOT BELIEVE THAT THE PROMISE IN THE LETTER BY THE PRESIDENT TO "CONSIDER THIS REQUEST CAREFULLY" WOULD RESULT IN THE KIND OF LIMITED AND POSSIBLY NEGATIVE RESPONSE THAT I WAS DESCRIBING.

5. I SAID I WAS UNDER INSTRUCTION ONLY TO SAY THAT NO DEFINITIVE REPLY WAS POSSIBLE UNTIL WE SAW THE LIST. BUT I WOULD BE REMISS IF I DID NOT AT THE SAME TIME MAKE CLEAR THAT THE GOM SHOULD NOT LOOK TO US FOR CONCESSIONAL LENDING. THE PRESIDENT'S LETTER HAD EXPRESSED SYMPATHY FOR MALTA'S WELL-BEING BUT HAD ALSO MADE CLEAR THAT WE SEE US AS SUPPORTIVE VIA PRIVATE INVESTMENT.

6. I TOOK THE OPPORTUNITY OF THIS CONVERSATION TO TAKE ABELA SHARPLY TO TASK FOR HIS SO-CALLED "WHITE PAPER ON RELATIONS BETWEEN MALTA AND THE USA" (VALLETTA 1206) WHICH HAD FOCUSED ON OUR ALLEGED SHORTCOMINGS AND INDEED OBSTACLES IN FACILITATING INVESTMENT. I SAID THIS PAPER WAS INACCURATE IN SEVERAL RESPECTS BUT WHAT WAS WORSE WAS ITS TONE WHICH SUGGESTED A DELIBERATE USG POLICY OF FRUSTRATING MALTA'S EFFORTS TO ACHIEVE REAL INDEPENDENCE. I SAID THAT AFTER A YEAR IN MALTA I HAD TO CONCLUDE THAT THE REAL OBSTACLES TO US PRIVATE INVESTMENT IN MALTA WERE MAINLY OF MALTA'S MAKING, OR INACTION, COMBINED WITH

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TO SECSTATE WASHDC 8197

C O N F I D E N T I A L SECTION 02 OF 02 VALLETTA 01419

MALTA'S LIMITED RESOURCES. THEY WERE NOT THE MAKING OF THE USG; INDEED IN OUR EMBASSY WE HAD PROBABLY EXCEEDED OUR MANDATE IN WHAT WE HAD DONE TO ENCOURAGE US INVESTORS TO LOOK SYMPATHETICALLY AT MALTA. I LEFT WITH ABELA A PAPER (COPY POUCH) DESCRIBING IN DETAIL THE US PRIVATE SECTOR'S ROLE IN MALTA, INCLUDING THE VERY CONSIDERABLE AMOUNT OF US PRESENCE IN HELPING TO DEVELOP MALTA AS A REGIONAL SERVICE CENTER FOR THE OIL DRILLING INDUSTRY. I REMINDED ABELA THAT IN TERMS OF A PRESENCE CONTRIBUTING TO MALTA'S ECONOMY THE US PRIVATE SECTOR WILL BECOME THE LARGEST WITH THE CLOSURE OF THE BRITISH BASE AFTER MARCH, 1979.

7. COMMENT: ALL OF THIS WENT ON FOR A GOOD HOUR, THE BULK OF WHICH I WILL SPARE THE DEPARTMENT. ABELA IS PERHAPS MORE REALISTIC THAN HE PROFESSES TO BE BUT HE KNOWS HIS PRIME MINISTER AND NO DOUBT KNOWS HIM EVEN BETTER AND PAINFULLY SO AFTER REPORTING TO HIM ON OUR CONVERSATION. MINTOFF HAS BEEN IN THE BUSINESS OF UNREALISTIC EXPECTA-

TIONS ALL HIS POLITICAL CAREER, AND HE HAS BEEN REMARKABLY SUCCESSFUL IN DEMONSTRATING THAT WHAT IS UNREALISTIC TO OTHERS IS REALISTIC AND ACHIEVABLE TO HIM.

8. IN THIS CASE WHAT HE CLEARLY WANTS AND EXPECTS IS A
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USG COMMITMENT OF A SOFT LOAN OF AN UNDETERMINED LEVEL AGAINST WHICH TO BUY USED EQUIPMENT FOR MARSAXLOKK. OUR REQUEST FOR A LIST BUYS US SOME TIME BUT WILL THROW VERY LITTLE ADDITIONAL LIGHT ON THE PROBLEM FACING US. WE ASSUME WE CAN ALWAYS OFFER TO ASSIST WITH FACILITATIVE ASSISTANCE IN CASH PURCHASING OF EXCESS PROPERTY, AND IN A SEPARATE CABLE WE POSE SOME QUESTIONS ON PROCEDURES APPLYING TO PURCHASE UNDER THIS PROGRAM. THE REAL QUESTION, HOWEVER, IS HOW WE ANSWER THE REQUEST FOR A LOAN; THE WAY WE RESPOND TO THIS REQUEST, AND WHEN, WILL BE A BASIC BENCHMARK FOR OUR FUTURE ROLE HERE AND FOR OUR POSTURE WITH THE EUROPEANS AS WELL. WE THINK WE NEED SOME FAIRLY BASIC DECISIONS FROM WASHINGTON AND TO THAT END OUR OWN IDEAS AND RECOMMENDATIONS WILL FOLLOW BY SEPTTEL. LAINGEN

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